

Message Text

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TO AMEMBASSY DAR ES SALAAM

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FOLLOWING REPEAT LISBON 5208 ACTION SECSTATE INFO
BRUSSELS 5 SEPT 75.

QUOTE

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E.O. 11652: N/A

TAGS: EINO, PO

SUBJ: ITT DEVELOPMENTS

REF: LISBON 4903

1. FIRST PUBLIC ANNOUNCEMENT OF ITT DECISION TO SUSPEND FINANCING
TO ITS PORTUGUESE AFFILIATES APPEARED IN SOCIALIST PAPER A LUTA
ON SEPTEMBER 4, TWO WEEKS AFTER ITT MAILED LETTER GO GOP.
ARTICLE, WHICH INCLUDES PICTURE OF LISBON SHERATON, IS HEADLINED
"ITT SUSPENDS INVESTMENTS IN PORTUGAL," QUOTES ITT'S REASONS FOR
ITS ACTIONS AND FACTUALLY CITES HISTORY, FINANCIAL SIZE, AND
STRUCTURE IN PORTUGAL. ARTICLE ENDS BY CALLING ACTION FORM OF
BOYCOTT IN ATTEMPT TO PRECIPITATE ECONOMIC CATASTOPHE, SAYS
DEPARTURE OF ITT DESIRABLE IN VIEW OF INTERNATIONAL REPUTATION,
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AND CALLS UPON GOP TO TAKE SOME IMMEDIATE ACTION. AT SAME TIME, IN

THINLY DISGUISED ATTACK ON GOVERNMENT, IT STATES THE GOP CAN NOT CONTINUE WITHOUT DEFINING AN ECONOMIC POLICY AND THEN DWELLS ON THE GRAVE UNEMPLOYMENT CRISIS IN WHICH UNEMPLOYMENT IS ALREADY 300,000, A NUMBER BEING AGGRAVATED BY ANGOLAN REFUGEES.

2. AS OF SEPTEMBER 4, OPERATIONS AND PRODUCTION CONTINUE NORMALLY AT 3,000 PERSON STANDARD ELECTRICAL COMPLEX JUST OUTSIDE LISBON, AND AT LISBON SHERATON. WORKERS COMMITTEES HAVE BEEN ESTABLISHED TO RUN PLANTS; THE ONE AT STANDARD COMPRISES TWO FORMER DIVISION CHIEFS AND STANDARD SECRETARY-TREASURER. ITT MEMO TO GOP IS IN HANDS OF WORKERS AND THERE ARE REPORTS WORKERS HAVE REFUSED TO GIVE PRESS INTERVIEWS. IT APPEARS ALL EMPLOYEES WERE PAID FOR AUGUST, THOSE IN LISBON APPARENTLY FROM FUNDS OF ITT SUBSIDIARIES. 3,000 WORKERS IN OLIVA AND RABOR PLANTS NEAR OPORTO ALSO REPORTEDLY HAVE BEEN PAID BUT IT IS NOT CLEAR THAT THAT IS FROM ITT FUNDS. RABOR WORKERS REPORTEDLY HAVE SENT A LETTER TO GOP REQUESTING FINANCIAL ASSISTANCE. AS FAR AS EMBASSY AWARE, GOP HAS NOT RESPONDED TO ITT MEMORANDUM AND HAS NOT OFFICIALLY TAKEN ANY ACTION TO INTERVENE OR NAME NEW ADMINISTRATORS.

3. PRELIMINARY REACTION BY U.S. BUSINESS IS DIVIDED. ONE MANAGER DISTRESSED AT TIMING OF ITT ACTION AND BELIEVES THERE COULD BE REPERCUSSIONS AGAINST ALL MNC'S. OTHER BUSINESSMEN SEEM TO FEEL THAT POOR BUSINESS ATMOSPHERE WARRANTED ACTION AND WERE NOT SURPRISED.

4. COMMENT: IT IS STILL NOT CLEAR WHY SOCIALIST PAPER BROKE STORY INSTEAD OF COMMUNIST PRESS WHICH MIGHT HAVE BEEN EXPECTED TO HAVE USED PUBLICLY TO DEFEND PRIME MINISTER (WHO MAY HAVE USED IT PRIVATELY TO DEFEND HIMSELF). EVEN MORNING AFTER, O SEculo DID NOT PICK IT UP, AND LEFTIST-REPUBLICA IS KNOWN TO HAVE WITHHELD THE STORY FOR A WEEK. WE TEND TO BELIEVE THAT COMMUNISTS HAVE STAYED AWAY FROM STORY BECAUSE EFFECT OF ANNOUNCEMENT OF POTENTIAL LOSS OF 7,000 JOBS, WHICH COULD BE CONSTRUED TO BE RESULT OF INEFFICIENT, INEPT GOVERNMENT, WOULD OUTWEIGHT PROPAGANDA VALUE FROM CHARGES OF BOYCOTT AND SABOTAGE. RISING UNEMPLOYMENT, CAUSED BY CONTINUING FACTORY AND COMPANY CLOSURES, AND AGGRAVATED BY RETURN OF ANGOLAN REFUGEES, IS BECOMING OVERWHELMING CONCERN OF WORKERS.

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CONCERN EVIDENCED BOTH BY ANTI-PCP/INTERSINDICAL VICTORIES IN RECENT UNION ELECTIONS AS WELL AS WORKERS BEGINNING TO REALIZE THAT MILITANCY MAY BE COSTING THEIR JOBS. (COMMITTEE VISITED BY THREE WORKER DELEGATIONS IN LAST THREE WEEKS PROFESSING SOME DEGREE OF ATONEMENT FOR THEIR ACTIONS CAUSING U.S. FIRMS TO CLOSE).

5. GREAT CONCERN OVER UNEMPLOYMENT PROBLEMS AS WELL AS OTHER

ECONOMIC FACTORS SEEM TO MAKE EVEN MORE IMPORTANT MY
HAVING AND BEING ABLE TO USE A PRELIMINARY COMMITMENT FROM
ITT TO CONSIDER NORMALIZING THEIR OPERATIONS SHOULD A NEW
GOVERNMENT BE ABLE TO IMPROVE THE BUSINESS
ATMOSPHERE. WOULD APPRECIATE LEARNING ITT RESPONSE TO STATE
DEPARTMENT APPROACH REQUESTED IN REFTEL.
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